

Message Text

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ACTION NEA-12

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INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: BEXP, AG

SUBJ: EUROGAS PROJECT FOR ALGERIAN LNG

REF: ALGIERS 0844; STATE 080583

1. BANKERS FOR EUROGAS PROJECTMET APRIL 23 WITH SONATRACH. AT PRESENT, PROJECT IS EXPECTED TO COST 1.5 BILLION DOLLARS. THIS IS BROKEN DOWN INTO 900 MILLION DOLLAR PURCHASES ABROAD AND 600 MILLION DOLLARS LOCAL COSTS. PROJECT CALCULATED ON BASIS OF 15.5 BILLION CUBIC METER LIQUIFICATION PLANT AT \$600-700 MILLION, GAS COLLECTION EQUIPMENT AT FIELD, GAS PIPELINE HASSI-R'MEL TO ARZEW AND LOADING FACILITIES MAKES UP REST.

2. 15.5 BILLION CUBIC METERS OF GAS DISTRIBUTED AMONG EUROPEAN PURCHASING COUNTRIES AS FOLLOWS: FRANCE 19 PERCENT, WEST GERMANY 40 PERCENT, BELGIUM 19 PERCENT, AUSTRIA 13 PERCENT AND SWITZERLAND 7 PERCENT. GROUP HAS AGREED FINANCING AND EQUIPMENT PURCHASING SHOULD BE DIVIDED ON SAME BASIS. SONATRACH
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HAS TAKEN POSITION THAT THIS IS EUROPEAN PROBLEM BUT IT

MUST HAVE UNIFORM FINANCING FOR DEAL. BELGIANS OFFERING 6.75PERCENT WITH REPAYMENT IN 25 EQUAL PARTS BEGINNING JUNE 30, 1982 FOR THEIR SHARE OF LOAN FOR PURCHASES ABROAD-\$173 MILLION. BELGIAN LOCAL COST LOAN WILL BE AT FLOATING RATE AROUND 7.32 PERCENT. BANKERS ARE MEETING TO MAKE TERMS UNIFORM. ALSO EACH COUNTRY GUARANTEEING ITS SHARE OF LOAN-PURCHASES ABROAD.

3. NATIONAL GUARANTEES APPLY ONLY TO PURCHASES MADE NATIONALLY. FRENCH AND GERMANS INSISTING ON THIS. THUS CHEMICO PARTICIPATION NOW VALUED AT 10-15 PERCENT OF LIQUIFICATION PLANT COST IS IN DOUBT. SOLUTION SUGGESTED BY BELGIAN EMBASSY OFFICIAL WAS FOR CHEMICO PART--SOME 100 MILLION DOLLARS BE FINANCED BY U.S. UNDERSTAND THIS PROPOSAL ALSO PASSED ON TO CHEMICO.

4. FINAL PROBLEM HAS BEEN ON PRICE. NO CONSORTIUM HAS SUBMITTED A PRICE, BUT EUROPEAN GAS COMPANIES HAVE PROMISED TO COVER COST OF LIQUIFICATION PLANT OVER 600 MILLION DOLLARS. NOW THEY ARE TRYING TO GET AN ACTUAL PRICE.

5. BANKS ARE MEETING AGAIN MAY 13--PROBABLY IN BELGIUM. SOCIETE GENERALE IS RAPPORTEUR. EMBASSY IN BRUSSELS MIGHT CHECK ON ABOVE FACTS WITH SOCIETE GENERALE AND INQUIRE FURTHER INTO STATUS OF SUGGESTION FOR U.S. FINANCING. BOEL IS ANOTHER CONTACT AS THEY BUILDING TWO LNG TANKERS-ONE IN LEHAVRE AND ONE IN BELGIUM. FOR EUROGAS PROJECT.

6. ON MERITS OF RESPECTIVE GROUPS, SYBETRA WITH CHEMICO PROBABLY MOST QUALIFIED. HOWEVER, U.S. FIRM, BECHTEL, MONITORING CHEMICO CONSTRUCTION IN ARZEW FOR SONATRACH REPORTS CHEMICO IS 4 1/2 MONTHS BEHIND SCHEDULE AFTER 8 MONTHS WORK OR ONLY ABOUT 55 PERCENT OF SCHEDULED WORK HAS BEEN DONE. LIMITED NUMBER OF FOREIGN MANAGERS IS PRINCIPALLY BLAMED FOR DELAYS. TECHNIP GROUP IS SADDLED WITH SKIKDA PROBLEMS AND GERMANS UNABLE TO SEE HOW 40 PERCENT OF COSTS ABROAD COULD COME FROM GERMANY, GIVEN MAKEUP OF GROUP. LINDE GROUP IS STILL NOT AS FAR ADVANCED AS OTHER TWO.

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7. SCHEDULE FOR COMPLETION OF EUROGAS PROJECT NOW POSTPONED FROM 1977 TO 1979.
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